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**ECONOMIC
DEVELOPMENT
THROUGH
COOPERATIVES**



Program Aid No. 1088
Farmer Cooperative Service
U.S. Department of Agriculture

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ECONOMIC DEVELOPMENT THROUGH COOPERATIVES

Raymond Williams
Senior Cooperative Development Officer

INTRODUCTION – A HISTORY OF SUCCESS

A cooperative is *organized working together* for mutual benefits. Twenty-eight weavers in Rochdale, England, set up the basic guidelines in 1844. Cooperative development has since come a long way.

Economic cooperation, essentially, is a form of business with democratic ownership and control by member patrons having common needs, serving themselves on a nonprofit basis, and receiving benefits proportional to participation.¹

Farmers have made the most notable use of cooperatives in the United States. Even 20 years before the weavers wrote the operating principles, farmers were learning how to cooperate with each other to mutual advantage to get services related to farming and rural living.

Yet substantial numbers of nonfarmers also use cooperatives. Nonfarm cooperative enterprises play important roles in housing, finance, health and insurance, consumer goods, and communications.

Historically, the unique feature of the cooperative idea has been to forge a mutually beneficial and collective impact out of limited resources of individuals. Effective cooperative development usually evolves from a compelling need. Even the largest cooperatives today, in most cases, began under the stress conditions of charter members banding to survive or make progress.

Economic cooperation became fully established in the U.S. economic system between 1890 and 1920. About 16,000 cooperatives are now operating. Of these, some 7,800 are agricultural cooperatives, providing marketing, purchasing, and related services. Annual sales of agricultural cooperatives exceed \$20 billion. Some cooperatives have become regional and national in scope. About a dozen are among the Nation's 500 largest

As tobacco acreage declines, farmers are learning to raise crops suited to small-acreage farming, such as cabbage, cucumbers, sweet potatoes, and peppers.

¹ Fetrow, W.W., and Elsworth, R.H., *Agricultural Cooperation in the United States*, Farm Credit Administration Bul. 54, 1947.

industrial corporations, with annual gross business of the largest cooperatives about \$1 billion.

In view of these achievements and continuing national interest in economic development, cooperatives have emerged as a significant form of business. Their value is of particular interest in rural areas, for the largest and most successful cooperatives originated and operate in the rural environment.

FRAMEWORK FOR DEVELOPMENT

Cooperative development will continue as long as needs arise. The greatest likelihood for success is in communities having progressive development programs. An aggressive prototype organization is the North Carolina Rural Fund for Development (NCRFD). Its uppermost founding purpose is to increase family income and quality of living in rural areas.

Started as a nonprofit organization in 1969, NCRFD is working with 25 cooperatives in 30 eastern counties. The region had been a thriving farming area in the days when cotton and tobacco were principal crops. As these crops declined in importance, much of the State gradually industrialized, except in the eastern part. Today, this coastal area is predominantly agricultural, with many small farmers and other rural people who work full- or part-time for small businesses.

NCRFD work is wide-ranging, for example, seeking answers to such diverse questions as: How do you go about organizing a vegetable marketing cooperative? What training do directors need for a fishing cooperative? How do you recruit a bookkeeper for a credit union? How can handcraftsmen produce and market better quality items?

NCRFD provides technical assistance with its own staff or contracts for help from other sources. Typical studies include deciding if a proposed cooperative can succeed, analyzing the economic effect on members, and determining changes that would improve a cooperative's usefulness. The Fund is not staffed to capability of responding to all requests. Consequently, involvement of local, State, and Federal agencies is necessary.

The Fund has loan authority, securing financing from both governmental and private sources.

In essence, NCRFD performs the marriage that matches the appropriate public and private resources to the needs of people.

A 30-man board of directors sets NCRFD objectives and priorities. Its membership draws representation from parts of the State outside the area of its activities. Directors include not only leaders in agriculture and business but also members of cooperatives. NCRFD conducts two director training sessions each year. Board members' wives are encouraged to attend and participate.

Projects in marketing vegetables and feeder pigs illustrate how NCRFD brings about economic development through cooperatives.

To support the need and desire for a vegetable marketing cooperative, NCRFD generated this involvement:

Farmer Cooperative Service, U.S. Department of Agriculture (USDA), through a contract, provided organizational, economic feasibility, and business operations advice.

Soil Conservation Service and Agricultural Stabilization and Conservation Service, USDA, sent representatives to the organization meeting to express support and to explain programs available to farmers.

Production Credit Association provided office space for the cooperative in the early months of organization.

Vocational agriculture teachers in the proposed cooperative's three-county area provided classroom and field training.

The Cooperative Extension Service, through county agricultural agents, conducted training in vegetable production.

Farmers Home Administration, USDA, made loans to individual co-op members and \$216,000 to the cooperative to buy land and construct a packaging and grading facility.

Rockefeller Foundation made a \$28,000 grant to help provide management assistance.

Additionally, NCRFD provided funds for salary and expenses for one full-time employee and financial assistance to management during the first year of operation.

NCRFD secured this involvement for a feeder pig marketing cooperative.

North Carolina State Department of Agriculture provided the grading and inspection guidelines and the necessary liaison with potential feeder pig buyers to establish the cooperative as a recognized feeder pig marketing outlet.

Farmer Cooperative Service provided technical assistance in cooperative organization and development.

Farmers Home Administration made loans and gave intensive financial guidance to individual members.

The cooperative's \$45,000 facility loan was obtained through a local bank and the Small Business Administration. The bank also provided office space in the cooperative's early stage of organization.

Cooperative Extension Service assigned a swine specialist to help members with production and disease control problems.

Resulting operations and benefits of these projects indicate that a single-purpose organization such as NCRFD can deal specifically with the economic development needs in rural areas. Such an organization can involve the total community in planning and implementation, coordinate efforts, and increase the effectiveness of delivering services. While the contributions of all organizations are important, the critical success key is the NCRFD-type of catalytic effort that brings together many resources for effective employment.

MODELS IN VEGETABLE AND FEEDER PIG MARKETING

Farmers in the coastal region of North Carolina needed some new agricultural enterprises suitable for small acreages but sufficient to substantially increase income. Declining acreages of cotton and tobacco no longer provided an adequate living standard for many small farmers.

Vegetables had been produced and more recently sweet potatoes had been the major crop. Corn, soybeans, and swine operations developed as cotton nearly disappeared. The area produced enough grain for feeder pig operations but not enough to supply fat hog operations.

Some farmers had raised vegetables but did not have a satisfactory market outlet until the co-op was formed.



Tri-County Farmers Association

Tri-County Farmers Association was organized to support the development of vegetable production as a new major crop in Columbus, Brunswick, and Bladen counties.

Farmer Cooperative Service, with the assistance of the Cooperative Extension Service, State Department of Agriculture, NCRFD, and other organizations, conducted a feasibility study in 1968.

The study analyzed: (1) Demand for vegetables; (2) location of markets; (3) days and months vegetables were in demand; (4) number of farms in the area; (5) size of farms; (6) number of farms producing vegetables; (7) number of potential producers of vegetables; (8) expected vegetable income; (9) estimated production expenses; (10) cost of facilities; and (11) possible sources of financing to construct a vegetable marketing facility.

After finding that vegetable production was feasible, persons representing potential resources were called to a meeting. They included sources for potential members, available technicians from cooperating organizations, and financial aid.

The cooperative was chartered in April 1969 with headquarters in Whiteville. Its marketing facility was completed in mid-1972. Processing functions are assembling, washing, grading, packing, and shipping.

A major effort at the outset was to introduce new varieties and establish quality control. Supporting agencies conducted training programs for farmers in the production and marketing of quality vegetables. A substantial part of marketed volume goes outside the State, to as distant markets as Montreal and Toronto in Canada.

The average co-op member farms a relatively small acreage of tobacco, still the primary income-producer. Even so, at the time the cooperative was organized, the census indicated that about 90 percent of the families earned less than \$3,000 each year. In the beginning, about 80 percent of the co-op's membership was composed of these small farmers. In more recent years, operators of substantial farming operations have become active members and participants. The cooperative's board includes several well established farmers.

Tri-County has developed into a sophisticated marketing outlet. It is pursuing the long-range objective of being able to market a number of vegetable crops that members can grow to complement existing farming operations.

Estimated net income of cooperative members is increasing. As examples:

Crop ¹	Average acres	Gross income	Expenses	Net additional annual income
	<i>Number</i>		<i>Dollars</i>	
Cabbage	5.0	2,720	1,850	870
Sweetpotato	3.0	1,302	780	522
Pepper	1.5	1,112	550	562
Cucumber	1.5	874	436	438

¹ Based on members producing vegetables as a new enterprise. All members do not produce all vegetables listed.



Both new farmers and well-established farmers, such as the one who devised the low-slung cucumber-picking machine below, are using Tri-County Farmers Association. At left, fresh-market cucumbers are being washed, waxed, graded, and boxed for East Coast markets.





Albemarle Cooperative Association

Albemarle Cooperative Association, a feeder pig marketing cooperative, was formed to encourage the expansion of production of high-quality feeder pigs. In many cases, the presence of the marketing outlet permitted small farmers to get into or expand production of feeder pigs to supplement family income considerably.

Feasibility determination began with consideration of (1) number of farms; (2) size of farms; (3) number of farms producing swine; (4) number and potential of producers of swine; (5) expected income; (6) estimated expenses; (7) needed benefits to members; (8) cost of facilities; and (9) source of financing for cooperative facility.

Interest was exceptional from the beginning, reflected in the cooperation of local community leaders and representatives and technicians of various Federal, State, and county agencies. As with Tri-County Farmers Association, a meeting was called of persons representing resources in membership, technical help from cooperating organizations, and financial aid.

The cooperative was organized in November 1969 with headquarters in Edenton, centrally located to serve an 11-county coastal region known as The Albemarle.

Shortly after organization, NCRFD provided \$25,000 to finance a boar-gilt lease program. A boar and up to 10 bred gilts were supplied to cooperative members who had applied for the program. The producers were selected by a special committee of the cooperative's board and chaired by the area Extension livestock specialist. One member's farm in each of the 11 counties was selected as a demonstration project to show other members how to raise quality animals. These operations were watched closely to assure that high-quality production methods were used. If standards were not maintained, the project was transferred to another member.

From its beginning, the cooperative has helped members select breeding stock, improve production techniques, and get market information. A livestock specialist assigned to the cooperative by the State Extension Service has been on call to visit farms to help solve any production problems.

The feasibility study had indicated that 10 brood sows were the minimum economic unit. Although many producers began with fewer animals, the goal was for them to build toward a 20-sow herd. Some members have built substantial herds. One has 350 brood sows.

The cooperative's market facility enables members to combine small loads of feeder pigs at a central point in sufficient numbers to command a good market price. The feeder pigs are pooled by grade and weight lots according to standards established by the State Department of Agriculture.

On auction days, the cooperative is an assembly point for buyers as well as producers. In-house buyers bid against others taking part through a tela-auction network developed by the State Department of Agriculture for the State-regulated feeder pig market.

Auction experience indicates that the volume of graded feeder pigs and the attraction of more buyers through tela-auction has tended to increase price. Sales to date indicate that producers have been getting \$5 more per pig than they could have expected before the market was established. This income is in addition to income generated from getting a feeder pig enterprise going on a farm for the first time.

Albemarle Cooperative Association, Edenton, N.C., as seen from the waste disposal lagoon and from the holding pens on sale day.





Similarities are few between the old-time livestock auctions and a feeder pig sale by telauction. Not even the pigs squeal as much, perhaps because they get a fine water spray to keep them cool while they're in holding pens. Pigs are graded and marked with aerosol spray paint, tagged for owner identification, weighed, and then pooled by size and weight. An auctioneer chants to buyers listening by telephone and to others in the barn.

The cooperative's auction has clearly defined to producers the advantages of raising quality animals. They have learned quickly that substandard animals bring lower prices.

A typical member has 13 brood sows, and sells each year 208 pigs, spending \$16 each on production costs, selling each at \$22, and netting additional income of \$1,248.

Thus, the major purpose of the cooperative — to increase the income of farmers so they can remain on the farm — is being accomplished.

INGREDIENTS FOR SUCCESS

Given a basic need and interest, successful cooperative development results from properly matching material and human resources. Much of the work for good development occurs before the organization is officially in existence. These ingredients provide a workable procedural formula for achieving success:

1. Establish an Economic Development Organization or Committee

Rather than being "surprised" by the appearance of a cooperative, the community should be a part of the organizing action. Community leaders and representatives of all possible resource organizations need to be fully informed about the intent and purpose of the proposed cooperative before official structure is undertaken. It is difficult for a new organization to emerge without community-wide support.

One of the better ways to attract community support is to organize or incorporate a nonprofit development organization that can assess total community needs. Such an organization can identify and solicit leadership, obtain financing, and in some instances acquire facilities. A new cooperative has difficulty achieving identity and credibility. A development organization has these assets built in if its membership is properly constituted. Members should come from those who would benefit as cooperative members, business and community leaders, educators, and the professionally trained technicians such as county agricultural agents. These people, in turn, can make contacts with State and Federal agencies that can result in strengthening the validity of the proposed cooperative.

2. Identify the Economic Need and Available Resources

Prospective cooperative members, in sufficient numbers, must be canvassed to determine if they have a genuine interest in improving their standard of living and have the necessary minimum resources.

In the vegetable and feeder pig projects, resources were readily available in the communities and were fully utilized. Tri-County vegetable co-op members had access to good land, vegetables had been grown, climate was satisfactory, and markets were available. Similar circumstances were prevalent for Albemarle feeder pig cooperative members. Additionally, the new enterprise was a good mix with existing operations and was compatible with off-farm employment.

In both instances, major effort went into identifying potential cooperative members, providing training to produce a quality product, and assigning to

the cooperative the functions of assembling, grading, and packaging in adequate volumes at a central point for marketing.

Available resources were developed. No attempt was made to start unfamiliar enterprises.

3. Seek Out Potential Leaders

Although each community and each situation is different, the pattern of successful cooperative development traces to the selection of leadership. How to identify leaders:

a. In many instances, leadership becomes obvious in the natural course of events. Thrust comes from those people with the original idea. Care must be taken, however, that the potential leader can be effective. A person can be effective in creating interest in the early stages but not in later development and growth.

b. Ask potential members and others whom they consider as community leaders.

c. Identify those holding important offices or positions in the community, particularly those with an interest in economic development.

d. Consider a potential leader's previous experience, his involvement with issues and events, and how he handled them.

e. Find out if the leader would be acceptable to the community.

4. Determine Technical and Financial Help

A wealth of technical assistance exists. The difficulty is finding the proper source and then effectively applying the assistance to the given project. The payoff to the local community development group is its contacts with State and Federal resource people to enlist their support and assistance. A partial list of major organizations that can provide technical assistance to new cooperatives includes:

- Extension Service county agricultural agent
- Farmers Home Administration, USDA, county supervisor
- Farmer Cooperative Service, USDA, in Washington, D.C.
- State Department of Agriculture
- Regional commissions
- Small Business Administration State office
- Bank for Cooperatives, Farm Credit Administration, district headquarters
- Local or regional cooperatives

Farmers Home Administration, Small Business Administration, and other Federal agencies can make loans for cooperative development. Banks for cooperatives of the Farm Credit Administration specialize in loans to cooperatives and provide most of the credit cooperatives in the United States use. Regional commissions in certain instances provide some funds, usually in a secondary role. Many local banks participate in Small Business Administration and Farmers Home Administration guaranteed loan programs.

Often, the best technical and other assistance can be found right in the community. But technical assistance must be available on a continuing, as-needed basis rather than a hit-or-miss, one-time basis.

5. Conduct Feasibility Studies

After a survey committee determines interest and announced intentions of potential cooperative members, an economic feasibility study is in order. While much information for most types of cooperatives is essentially the same, certain specific information is needed depending on whether the new venture is in marketing, purchasing, or providing a particular service.

Marketing Cooperative

Market Demand for Product(s)

1. Where are markets located?
2. What market price can be anticipated?
3. How many firms are interested in buying product(s)?
4. What will be the cost of shipping—other costs?
5. What type of transportation will be used—will rail cars, trucks, or barges be available when needed?
6. What month(s) will product be sold?
7. Will markets want product(s)?
8. What volume of product(s) will each market need?
9. Will the cooperative have a regional advantage over other areas?
10. What are the quality standards that must be met?
11. What is the period of time between shipment and payment to cooperative by purchaser?
12. What product mix is needed; what changes in demand are anticipated, if any?
13. Is consumption for product(s) on the increase or decrease—how much?

Member Production Capabilities

1. What product(s)—crop, livestock, or other — do members want to produce?
2. Is the climate desirable?

3. What acreage is available—size of tracts of land, etc.?
4. What is the production capability of the land (bushels per acre, animal units, man-days required, etc.)?
5. What are the labor requirements?
6. Where joint enterprises are involved, do they complement each other?
7. What is the cost of production?

Sales and Expenses

1. Gross sales.
2. Cost of goods.
3. Gross margins.
4. Operating expenses.
5. Net margins (net income).

Capital Needs

1. Land and buildings.
2. Equipment.
3. Operating.
4. Can land and buildings be leased; equipment rented; or used equipment purchased?
5. What are the possible sources of financing?

Management Needs

1. Selection of manager.
2. Staff.
3. Other labor requirements.

Member Benefits

1. Increased income.
2. Reduced costs.
3. New markets.
4. Better markets.
5. New enterprises.
6. How will enterprise fit into present operations?

Purchasing Cooperative

Product(s) To Be Handled

Consumption Trends of Product(s)

1. Present volume.
2. Anticipated volume.
3. Are there competing products that may change demand?

Current Sources of Supplies

1. Number.
2. Volume of each.
3. Anticipated future volume.
4. Are present suppliers successful?
5. Anticipated margin per unit.
6. Are present suppliers adequately serving the area?
7. What kind of reaction would the cooperative get from local suppliers?
Would an adverse reaction affect the co-op's success?

Projected Operations

1. Anticipated volume, projected first 5 years of operation, showing gross sales, cost of goods, and net margins.
2. Percent of total volume from new business.
3. Percent of total volume from existing businesses.
4. Annual savings or profits from each product or commodity line handled.
5. Will the cooperative handle a greater selection of products than is now being handled by competitors?

Economic Impact

1. Will the cooperative handle items that can be expected to raise the net income of the members?
2. Amount a member's income might be increased.
3. How much can business expenses be reduced?
4. Can nonmembers purchase products from the cooperative?

Service Cooperative

Service cooperatives may be organized for a number of purposes, such as credit unions, insurance, water and sewer systems, electric service, transportation, or housing associations.

Feasibility must demonstrate that the cooperative can serve the needs of the membership at a cost they can pay. Some service cooperatives require large capital expenditures. Therefore, future service needs must be evaluated carefully to assure a successful operation. The outline of feasibility study for a service cooperative should cover as a minimum the following:

Availability of the Service in the Area

1. Are the needs of prospective members of the cooperative being met by existing businesses? Can the existing business, including cooperatives in area, expand their services to meet additional needs? Could the proposed cooperative provide better services or at a lower cost? Should it affiliate with a regional cooperative?

2. Project the expected annual demand for the services to be provided by the cooperative, both for the first year of operation and during the years covered by the amortization period.

Anticipated Profit Picture

1. What will be the cost of capital improvements?
2. How long will the improvements be useful?
3. Estimate savings from gross income from sales of services, operating cost, and cost of amortizing capital investment.
4. How long will it take to repay costs of improvements?

6. Organize the Cooperative

First Meeting. Give particular attention to the date, time, and place of the first meeting. Make it convenient for those asked to attend. Issue invitations by word of mouth, at other meetings, through television, radio, and newspapers. Prepare an agenda. Appoint a chairman. Ask a well informed person to present a brief factual statement on the purpose of the proposed cooperative. Conduct a discussion. If the group decides to proceed, select a survey committee and establish progress target dates.

Survey Committee. Determine whether the proposed cooperative is likely to succeed. If yes, draw up a detailed organization pattern for the new enterprise. Contact experts in cooperative development in such areas as law, accounting, financing, economics, and engineering. Consider economic need, potential membership, business volume, management skills, facilities, operating costs, capital, incorporation procedure, and special requirements.

Summarize findings and present them in orderly manner to potential members, perhaps giving each one a copy. In essence, the survey committee report is the feasibility study.

Following the same format as for the first meeting, call the second meeting to discuss the survey committee report point by point. Call for discussion. Charge the chairman with the responsibility of determining if interest is sufficient to proceed. If so, he appoints an organizing committee.

Organizing Committee. Sign up the required number of members. Obtain the capital subscribed and arrange for necessary loans. Draft legal organization papers. File articles of incorporation. Arrange the first membership meeting.

First Membership Meeting. A temporary chairman conducts the meeting. Report the filing of articles of incorporation. Present a draft of the bylaws. Elect the board of directors, if they were not named in the articles of incorporation. Most State cooperative statutes require that bylaws be adopted by a majority vote of the stockholders. Generally, only persons named in the articles of incorporation attend the first meeting as charter members to adopt bylaws.

The board of directors should hold a meeting as soon as possible after the bylaws have been adopted. Officers are elected and a comprehensive program for running the cooperative in a businesslike manner is discussed and adopted.

Financing. To be effective and successful, cooperatives need adequate financing. They need capital, whether for facilities or operating purposes. Most cooperatives require both.

Cooperatives may or may not issue capital stock, depending on the charter or articles of incorporation. If members form a capital stock cooperative, stock certificates are issued — usually at least one share of common stock — to indicate membership. Preferred stock is issued to indicate additional capital investment. If it is a non-capital stock cooperative, usually a revolving-fund certificate is issued to show capital participation. Many non-stock cooperatives receive their original member capital by the membership fee method. Stock is generally sold in small denominations to facilitate easy transfer, sale, or redemption.

Certificates of indebtedness can be used to obtain additional financing. They can be purchased by members and nonmembers. Although they bear interest and have a fixed due date, they do not include voting rights.

Getting capital is one of the more difficult aspects of cooperative development. It takes time for a cooperative to attain the credibility that lenders will recognize.

It is usually best to start small, do a few things well, then grow. For example, a fishermen's cooperative might start out providing market information, then perhaps establish a training program on quality control, later acquire a dock facility, still later process some or all of the fish, and finally handle the entire marketing function. It is true, however, that in some instances the new cooperative must provide a complete array of services at the outset to operate efficiently.

As an indication of interest and loyalty, members should invest as much as possible in the cooperative before it approaches established lenders. Substantial investments by members toward the total financial needs of the cooperative help convince the lender of their credibility and determination to make it succeed. If, for example, the total capital need is \$200,000 and each of 200 members pledges \$300 — or \$60,000 — an established lender is more likely to lend the remaining \$140,000 than if the only member capital contributed is a \$25 membership fee. In many circumstances, lenders will lend money to individual members of a cooperative to purchase stock. Successful cooperative development requires a personal and financial commitment by members.

Generally, operating capital is more difficult to borrow than capital for facilities and land. Therefore, it is desirable to use contributed member capital for operating purposes. In later years, after the cooperative has progressed through the development stage, operating capital can be obtained easier when accounts receivable can be pledged as security for a loan.

When borrowing money, regardless of the amount, the lender requires a complete financial picture of the cooperative, its purpose, history of operations, number of members, and other essential information.

Management. New cooperatives in particular require the best in management. The usual obstacle is that the economic situation for the typical new cooperative means it cannot afford the salaries and expenses of good

management. In the beginning, it may be possible to hire highly qualified managers or staff part-time. Or, semi-retired people may consent to work at reduced salary.

Capability of members on the board of directors is important, because the directors select the manager. The board must recognize the need for separating responsibilities between operating management and the board. Occasionally, a strong and aggressive director may tend to encroach on the activities of the manager. He may not be aware of his interference because of his strong desire to assist the cooperative.

The manager, the board, and the membership have complementing but separate responsibilities. The membership selects the board. The board hires the manager and establishes the objectives of the cooperative. The manager hires the staff and supervises day-to-day operations. However, the membership must be kept informed of the cooperatives' objectives and operations through a continual education program. Good management begins with a well-informed and trained membership selecting effective board members.

HEALTH CHECK FOR CONTINUING SUCCESS

Just as do people, animals, plants, machines, and buildings, the cooperative needs a periodic "health check" to determine its condition and performance capability. Here's a checklist:

1. Is the cooperative continuing to fulfill an economic need?
2. Does the cooperative have the support of members, the board of directors, and the community?
3. Are the manager and staff competent?
4. Is the board setting policies and objectives, leaving the day-to-day direction of operations to the manager?
5. Are market outlets satisfactory?
6. Is the volume of business sufficient to generate the revenue to pay costs of operations?
7. Are members and the cooperative producing to the specifications of markets?
8. Are costs held to a minimum?
9. Are services contracted for whenever it is advantageous to do so?
10. Does the cooperative meet competition?
11. Are financial records accurate?
12. Does the board require an audit and business analysis at least once a year?

13. Does the manager, with direction from the board, prepare a realistic budget and does he operate within the budget?
14. Are business standards ethical?
15. Are employees happy with their jobs and do they speak positively about the cooperative?

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For copies, write Farmer Cooperative Information, U.S. Department of Agriculture, Washington, D.C. 20250.

Farmer Cooperative Service provides research, management and, educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Service (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) inform members, directors, employees and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Service publishes research and educational materials and issues News for Farmer Cooperatives. All programs and activities are conducted on a nondiscriminatory basis without regard to race, creed, color, sex, or national origin.